



Title: I, Payroll/Personnel Manual

Chapter: 28, Section 2, Tax Formulas (TAXES)

Bulletin: TAXES 05-3, Earned Income Credit (EIC)

Date: March 9, 2005

To: Holders of the Payroll/Personnel Manual
Personnel User Groups
Agency Personnel Offices

Beginning with wages paid for Pay Period 5, the National Finance Center (NFC) will make the following changes to the Earned Income Credit (EIC) advance payment formula:

- The EIC advance payment will be based on the employee's taxable wages instead of the employee's Medicare wages.
- The nontaxable biweekly Thrift Saving Plan contribution, nontaxable biweekly Federal Employees Health Benefits payment, and the taxable biweekly fringe benefits statements will be used in the calculation of the EIC advance payment formula.

To view and/or print the updated EIC advance payment formula, go to the NFC Home Page (www.nfc.usda.gov) and click **Pubs & Forms**. Then at the Pubs & Forms page left-hand menu, click **Tax Formulas** and select **Federal** from the map provided. Changes to the EIC advance payment formula are identified by “►◄”.

For questions about NFC processing, contact the Payroll Operations Branch at **504-255-4630**. Refer questions about system access and other system-related issues to Customer Support at **504-255-5230** or via e-mail at customer.support@usda.gov.

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Earned Income Credit (EIC) Advance Payment Information

►(Effective Pay Period 5, 2005)◄

Use the following steps to calculate the EIC advance payment. **Note:** Once the employee's year-to-date ►annual taxable wages◄ paid reach **\$31,030** or more for **single, head of household**, or **widow(er)** filers or **\$33,030** or more for **married** filers, the EIC advance payment is \$0.00.

1. ►Subtract the nontaxable biweekly Thrift Savings Plan contribution from the gross biweekly wages.
2. Subtract the nontaxable biweekly Federal Health Benefit Plan payment(s) (includes flexible spending account - health care and dependent care deductions) from the amount computed in step 1.
3. Add the taxable biweekly fringe benefits (taxable life insurance, etc.) to the amount computed in step 2 to obtain the adjusted gross biweekly wages.
4. Multiply the adjusted gross biweekly wages by 26 to obtain the annual taxable wages.◄
5. If the employee (**single, head of household**, or **qualifying widow(er)**) is filing for EIC advance payment, apply the ►annual taxable wages◄ to the following table:

If the Amount of Annual Wages Is:		The Amount of EIC Advance Payment Should Be:			
Over:	But Not Over:	Of Excess Over:			
\$ 0	\$ 7,830.00	\$ 0	plus	20.400%	\$ 0
7,830.00	14,370.00	1,597.00			
14,370.00	31,026.24	1,597.00	less	9.588%	14,370.00
31,026.24	and over	0			

6. If the **married employee (not spouse)** is filing for EIC advance payment, apply the ►annual taxable wages◄ to the following table:

If the Amount of Annual Wages Is:		The Amount of EIC Advance Payment Should Be:			
Over:	But Not Over:	Of Excess Over:			
\$ 0	\$ 7,830.00	\$ 0	plus	20.400%	\$ 0
7,830.00	16,370.00	1,597.00			
16,370.00	33,026.24	1,597.00	less	9.588%	16,370.00
33,026.24	and over	0			

7. If the **married employee and spouse** are filing for EIC advance payment, apply the ►annual taxable wages◄ to the following table:

If the Amount of Annual Wages Is:		The Amount of EIC Advance Payment Should Be:			
Over:	But Not Over:	Of Excess Over:			
\$ 0	\$ 3,915.00	\$ 0	plus	20.400%	\$ 0
3,915.00	8,185.00	799.00			
8,185.00	16,518.34	799.00	less	9.588%	8,185.00
16,518.34	and over	0			

8. Divide the annual EIC advance payment amount by 26 to obtain the biweekly EIC advance payment amount.